

Message Text

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PAGE 01 CANBER 05955 240830Z

ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-08 FRB-01 INR-07 IO-14 NEA-10 NSAE-00 USIA-15

OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

OMB-01 SS-15 STR-04 NSC-05 MMO-04 /128 W

-----029469 240932Z /14

R 240700Z AUG 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1180

INFO AMEMBASSY PARIS

UNCLAS CANBERRA 5955

USOECD

EO 11652: NA

TAGS: OECD, EFIN, ETRD, ELAB, AS

SUBJECT: ECONOMIC INDICATORS - AUSTRALIA

REF: (A) CANBERRA 5777, (B) CANBERRA 5701, (C) CANBERRA 5551,
(D) CANBERRA 5450, (E) CANBERRA 5223, (F) CANBERRA 5066,
(G) 76 CANBERRA 8381, (H) 76 STATE 27063

1. THIS IS MONTHLY TRANSMITTAL OF CURRENT ECONOMIC INDICATORS
AS REQUESTED IN REF (H). REFERENCE SHOULD BE MADE TO REF (G)
FOR DEFINITIONS, SOURCES, BASE PERIOD ETC. NO NEW FIGURES ARE
AVAILABLE FOR INDICATORS B, E(I), G, Q, R AND Y. THESE
INDICATORS HAVE THEREFORE BEEN OMITTED FROM THIS REPORT.

A. MAY - 163

C. JUN QTR - DOLS 20,295

D. JUN - DOLS 1,799

E(II) APR - 5449

E(III) JUN - 7761

E(IV) JUN - 35.7

F. JUN QTR - 229.6

H. MAY - 218

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I. MAY - DOLS 10,312

J. MAY - DOLS 20,231

K. MAY - DOLS 36,203

L. MAY - 3.75

M. MAY - 8.25

N. JUL - DOLS 2125

O. JUL - DOLS 1426

P. JUL - MINUS DOLS 700
S. JUL - 5.4
T. MAY - 508.6
U. JUL - DOLS 971
V. JUL - DOLS 940
W. JUL - MINUS DOLS 301
X. JUN - DOLS 2164
Z. JUL - DOLS 26.9

2. NEW DATA SINCE OUR LAST MONTHLY REPORT (CANBERRA 5066) CONFIRM THE GENERAL OBSERVATION THAT THE AUSTRALIAN ECONOMY CONTINUES TO BUMP ALONG AT A LOW LEVEL AND THAT NO UPTURN IS EVIDENT. UNEMPLOYMENT IN JULY WAS marginally higher than in JUNE AND IS EXPECTED TO GO MUCH HIGHER DURING 1978 (CANBERRA 5551). AUTOMOBILE PRODUCTION, WHICH ROSE IN MAY FELL OFF AGAIN IN JUNE. WE DO NOT YET HAVE THE JUNE INDUSTRIAL PRODUCTION INDEX BUT THE AUTO DATA SUGGEST THAT OVERALL INDUSTRIAL PERFORMANCE DID NOT IMPROVE IN JUNE. SIMILARLY RETAIL SALES EASED AFTER A BRIEFLY ENCOURAGING RISE IN MAY. ON THE INFLATION FRONT CIP RESULTS FOR THE JUNE QUARTER INDICATED AN INCREASE OF 2.4 PERCENT (CANBERRA 5223) BRINGING THE 12-MONTH CPI INCREASE TO 13.4 PERCENT. (PROMINENCE IS ALSO GIVEN TO THE ALTERNATIVE 12-MONTH FIGURE OF 10.2 PERCENT WHICH IS OBTAINED BY EXCLUDING THE ONE-TIME EFFECT OF INTRODUCING INDIVIDUAL PAYMENTS FOR MEDICAL INSURANCE IN THE DECEMBER QUARTER OF 1976.

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3. NOTABLE DEVELOPMENTS IN THE INTERNATIONAL ACCOUNT WERE THE CONTINUING REDUCTION IN FOREIGN EXCHANGE RESERVES AND THE JULY TRADE RESULTS SUGGESTING THAT THE IMPORT VALUES ARE BEGINNING TO RESPOND TO THE NOVEMBER 1976 A DOLLAR DEVALUATION. THE ERODING RESERVE SITUATION (LARGELY ATTRIBUTABLE TO LOW LEVELS OF CAPITAL OF CAPITAL INFLOW.) WAS PRIMARILY RESPONSIBLE FOR TWO MAJOR DEVELOPMENTS IN THE PAST MONTH (1) THE MARGINAL (1.5 PERCENT) FURTHER DEVALUATION OF THE A DOLLAR (CANBERRA 5450) AND THE (2) THE REVALUATION OF AUSTRALIAN GOLD HOLDINGS (CANBERRA 5663) WHICH INSTANTANEOUSLY RAISED THE RECORDED VALUE OF RESERVE HOLDINGS BY ALMOST DOLS A 700 MILLION.

4. THE 1978 BUDGET INTRODUCED DURING THE PAST WEEK (CANBERRA 5777) REFLECTS THE GOVERNMENT'S CONTINUING HEAVY PRIORITY ON REDUCING INFLATION BY FREEZING THE REAL LEVEL OF FEDERAL EXPENDITURE AND FURTHER MODERATELY REDUCING THE FEDERAL DEFICIT. A MUCH LARGER DEFICIT REDUCTION WAS FOREGONE IN FAVOR OF A SUBSTANTIAL REDUCTION IN PERSONAL INCOME TAXES. AT THE SAME TIME, THE BUDGET CARRIED A GENERAL INCREASE IN PETROLEUM PRICES EXPECTED

TO CONTRIBUTE ALMOST ONE PERCENT TO THE CPI DURING THE
COMING YEAR (CANBERRA 5812) AND THE CONCILIATION AND
ARBITRATION COMMISSION'S AUG 22 AWARD OF AN ACROSS-THE-
BOARD TWO PERCENT INCREASE IN WAGE RATES (CANBERRA 5882)
NOT ONLY CONTINUES THE SUBSTANTIAL UPWARD TREND OF WAGE
RATES BUT FORESHADOWED INCREASED RESISTANCE IN FUTURE
QUARTERS TO ACCEPTANCE OF THE GOVERNMENT'S PRESSURE
ON THE COMMISSION FOR "PARTIAL" INDEXATION TO REDUCE
REAL WAGES. GIVEN THESE FACTORS, PLUS THE FACT THAT
PART OF THE IMPACT OF THE NOVEMBER 1976 DEVALUATION IS
STILL TO BE FELT, A DRAMATIC 1978 REDUCTION IN THE
CURRENT INFLATION RATE SEEMS UNLIKELY.
ALSTON

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